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FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC PRIORITY 3878
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RUEHTV/AMEMBASSY TEL AVIV PRIORITY 1714
RUEHJI/AMCONSUL JEDDAH PRIORITY 0813
RUEHJM/AMCONSUL JERUSALEM PRIORITY 1393
RHEHNSC/NSC WASHDC PRIORITY

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SENSITIVE
SIPDIS

NEA/ARP; JEDDAH PLEASE PASS TO AMB HALE

E.O. 12958: N/A
TAGS: PGOV KPAL EAID ECIN ECON EFIN EG IS KU
SUBJECT: GOK TO FULFILL PALESTINE AID PLEDGES BUT HESITANT
TO GIVE BUDGET SUPPORT

REF: A. STATE 88787
1B. KUWAIT 401

11. (SBU) On August 27 Embassy forwarded to FM Mohammad Al-Sabah the Secretary's letter requesting PA aid (ref A). On August 31, DCM brought a copy of the letter to Arab World Department Director Ambassador Jassem Al-Mubaraki, who said the GOK will fulfill its Palestinian aid funding pledges but noted that the FM is still reluctant to provide budgetary support to the Palestinian Authority. Mubaraki indicated he would be traveling with the FM to Cairo next week and hoped to use the trip to try to persuade the FM in favor of the budget support option. He observed that since the GOK had received a similar overture from the Quartet's Tony Blair and Egypt's President Mubarak, it appeared clear that the Palestinians wanted support more for budget than for project assistance and if that were the case, perhaps Kuwait should reconsider its position. The MFA official added that Kuwait would deliver \$80 million in aid this year -- out of \$300 million committed to Palestine at the 2006 Paris Donors Conference -- with \$90 million next year, which would leave \$50 million of that pledge in balance (Kuwait previously fulfilled part of its Paris pledge by providing \$80 million to the World Bank Trust Fund). No final determination had yet been made with regard to the division of the funds, which would likely be split between the Arab Fund, the Islamic Development Fund, and possibly the World Bank. Mubaraki noted the foregoing assistance was in addition to Kuwait's \$200 million pledge for Gaza reconstruction.

12. (SBU) Comment: Mubaraki's positive approach notwithstanding, the GOK typically has deemed budgetary support undesirable on policy grounds (in general, not only vis-a-vis the Palestinians) or determined it would be difficult if not impossible to wrest such funds from an obstructionist parliament both far more inclined to project assistance and unsympathetic to the Palestinian Authority. End comment.

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